

**TESTIMONY OF DAVID M. SWANSON
ON BEHALF OF
ILLINOIS BELL TELEPHONE COMPANY (“SBC ILLINOIS”)**

QUALIFICATIONS

Q. Please state your name and business address.

A. David M. Swanson, 912 Country Club Drive, LaGrange, Illinois 60525.

Q. What is your position?

A. I provide real estate asset and transaction management services under contract to SBC and SBC Illinois.

Q. What is your business experience?

A. I was a real estate manager for Illinois Bell Telephone Company, now SBC Illinois, for 23 years. I handled purchases, zoning, sales, leases and administrative functions related to the Company’s real estate operations. Since July of 1994, I have been providing services on a contract basis, as D.M. Swan Enterprises, Inc. I am also a licensed real estate broker in the State of Illinois.

PURPOSE

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the circumstances of the proposed sale of the property described below and to demonstrate that the sale is in the public interest.

Q. Please explain why SBC Illinois made this filing.

A. SBC Illinois has entered into an Agreement Of Purchase and Sale, dated August 30, 2004, with George Gullo Development Corporation for the sale of certain real estate located at 8411 (PIN #s 12-26-304-004 & 005) and 8419 (PIN# 12-26-304-003) Center Avenue, River Grove, Illinois for the sum of \$375,000 or \$16.60 per square foot. The sale is subject to the approval of this Commission, and SBC Illinois is seeking approval of the transaction.

DESCRIPTION OF REAL ESTATE

Q. Please describe the real estate that SBC Illinois seeks to sell.

A. A copy of the Agreement, including a plot plan, is attached as Schedule A to this testimony. The vacant three-lot parcel is rectangular in shape (150.00 x 150.42 or approximately 22,560 square feet or 0.52 acres of land).

Q. Please describe any improvements to this real estate.

A. The sale parcel is unimproved vacant land with greenways. The site is devoid of utilities, except those telephone, electric, and Village Services which are available and serving adjacent properties.

Q. For what purpose was the real estate used?

A. The River Grove Central Office is located to the south, separated from the sale property by an alley. At the time SBC Illinois purchased this property, this Central Office not only housed switching equipment but also was occupied by an operator group which required extensive parking facilities. This operator group has since been consolidated into other

locations, thus greatly reducing the parking requirements. The sale parcel was never developed into a parking lot.

Q. What zoning category applies to the real estate?

A. The property is located in the Village of River Grove, Zone A Residential.

Q. What is the current SBC Illinois investment in these facilities?

A. As of November 1, 2004, the 2006 20C (Nonoperating Plant, Land) investment is \$347,386. The 2006 10C (Nonoperating Plant, Buildings) net investment is \$3,451.57.

Q. Please describe the \$3,451.57 investment in 2006 10C (Nonoperating Plant, Buildings)?

A. There are no buildings or 10C investment on the parcel of land to be sold. This amount was recorded in error and will be cleared from the accounting records upon completion of the sale.

Q. Do you feel that this transaction is in the best interest of the public?

A. Yes. SBC Illinois does not need this land for its operations and desires to reduce its maintenance cost and real estate tax burden which is in the public's interest.

CURRENT VALUE OF REAL ESTATE

Q. What is the current market value of the real estate?

A. SBC Illinois hired Robert E. Kenney, SRA, 515 East Fairview, Street, Arlington Heights, Illinois 60005 to provide an estimate of the market value of the sale parcel. His opinion of this value is \$375,000. A copy of Mr. Kenney's opinion is attached as Schedule B.

ACCOUNTING TREATMENT OF REAL ESTATE

Q. Will the sale of this real estate impact SBC Illinois' rate base?

A. No – the investment was never in the rate base. Rather, the entire investment of this proposed sale has been held in the 2006 Account (Nonoperating Plant). A copy of a proposed journal entry is attached as Schedule C.

Q. Will SBC Illinois realize a gain or loss on this transaction?

A. SBC Illinois will realize an estimated net loss of \$9,279.57. This loss will not be recognized in the determination of net income since the property had never been used in the provision of regulated telecommunications nor included in rate base.

Q. Does this conclude your testimony?

A. Yes, it does.

Schedules

- A. Agreement Of Purchase and Sale**
- B. Appraisal dated July 16,2004 / August 3, 2004**
- C. Proposed SBC Illinois' "Journal Entry"**